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TRANSCRIPT OF
MEETING
of

STATE LANDS COMMISSION

SACRAMENTO, CALIFORNIA

December 4, 1964

PARTICIPANTS:

THE STATE LANDS COMMISSION:

Hon. Hale Champion, Director of Finance, Acting Chairman

Hon. Alan Cranston, Controller

Mr. Alan Sieroty, Executive Secretary to
Lieutenant Governor Anderson, sat with the
Commission in Governor Anderson's absence

Mr. F. J. Hortig, Executive Officer

APPEARANCES:

Mr. Richard Nelson, Counsel for Crown
Zellerbach Corporation

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Approval of Minutes of Meeting July 28, 1964

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Application to lease parcel of tide and submerged lands, Tomales Bay, Marin County, Marconi Cove Marina, Incorporated

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Proposed mineral extraction lease, Humboldt Bay, Humboldt County; Crown Zellerbach Corporation

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Retention of consultants, oil and gas operations, tide and submerged lands, Wilmington Oil Field; Los Angeles County

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1 MR. CHAMPION: The meeting will please come to
2 order. In the absence of the Chairman, Lieutenant Governor
3 Anderson, I will be in the Chair this morning. Mr. Sieroty
4 sits here as Mr. Anderson's representative, however. That is
5 a non-voting participation, I think, under the regulations.

6 The first item on the agenda is confirmation of the
7 minutes of the meeting of July 28, 1964. They have been sub-
8 mitted and if there is no objection, they will stand approved
9 as submitted.

10 The next item is application to lease a parcel of
11 tide and submerged lands, Tomales Bay, Marin County, Marconi
12 Cove Marine, Incorporated. I believe we had an agreement in
13 principle last time and that is supposed to be carried out.
14 Is that now ready?

15 MR. HORTIG: The agreement in principle was carried
16 out, Mr. Chairman. The Commissioners will recall that the
17 application had been for a larger area at the same appraised
18 value. The agenda item before you now has reduced the area
19 to that desired by the applicant currently and with a downward
20 adjustment in the annual rental. These are the only changes
21 from the item that was before you previously and it is recom-
22 mended that the reduced area lease, as outlined in this item,
23 be authorized for issuance.

24 MR. GRANSTON: I'll move approval.

25 MR. CHAMPION: I'll second. Is there any question?

26 MR. SIEROTY: Is this the area leased?

1 MR. HORTIG: On the second exhibit following page 2
2 of the calendar item, yes, Mr. Sieroty.

3 MR. SIEROTY: Where was the area that was previously
4 applied for?

5 MR. HORTIG: It was more extensive both upcoast and,
6 I believe, downcoast -- covering more of the water frontage of
7 the proposed upland subdivision; but the applicant corporation,
8 who are the upland owners, now propose to make this tidelands
9 development in stages rather than in one large segment at this
10 time.

11 MR. CHAMPION: Does Synanon still hang on over there?

12 MR. HORTIG: Yes sir, very definitely.

13 MR. SIEROTY: We contemplate they will come back for
14 an additional lease later on?

15 MR. HORTIG: Yes, if their development on the uplands
16 is successful, they will want to lease additional tideland
17 area to what is shown on this exhibit.

18 MR. CHAMPION: Is there any further question or
19 comment? (No response) It has been moved and seconded,
20 stands approved.

21 Next item is the proposed mineral extraction lease,
22 Humboldt Bay, Humboldt County; Crown Zellerbach Corporation.
23 Again, I think we had agreement in principle.

24 MR. HORTIG: The Commission had authorized the pub-
25 lication of a notice of intention to receive bids for the
26 removal and redeposit of minerals from Humboldt Bay, pursuant

1 to competitive public bidding; and in anticipation that the
2 bids would be received and opened on December 3rd, the Com-
3 mission had directed that this item be presented at this meet-
4 ing for consideration.

5 One bid was received, equal to the minimum amount
6 specified in the notice of intention. The entire bid procedure
7 and proposed lease form have been reviewed by the Office of
8 the Attorney General and have been approved as to form; and,
9 therefore, it is recommended that the Crown Zellerbach Corpora-
10 tion, the only bidder, be awarded the lease in accordance with
11 their bid submitted pursuant to the Commission's requirements.

12 MR. GRANSTON: I so move.

13 MR. CHAMPION: Second. Any question?

14 MR. SIEROTY: Yes, Mr. Chairman. All of the notices
15 have been given pursuant to statute and the time allowed for
16 bidding has been pursuant to statute?

17 MR. HORTIG: These have all been reviewed by the
18 Office of the Attorney General for compliance, and we have a
19 written opinion of the Office of the Attorney General as to
20 complete compliance and validity of the procedures, and authori-
21 zation to the Commission to issue this lease.

22 MR. CHAMPION: There was something further about
23 this, wasn't there?

24 MR. HORTIG: There was a modification desired by the
25 Department of Fish and Game, and this will be included in the
26 lease as issued. Also, the U. S. Army Corps of Engineers have

1 issued a permit to the State Lands Commission to authorize any
2 lessee to conduct this dredging.

3 MR. SIEROTY: Just one question: I think we have a
4 representative here of Crown Zellerbach Corporation. I believe
5 on a prior application or in some correspondence there was a
6 Crown Simpson Corporation mentioned. Is this the same thing?

7 MR. NELSON: Yes, sir. Crown Simpson Corporation is
8 still in the process of formation and the two owning parties
9 are carrying out the steps towards the construction of the
10 mill. I don't think this creates any problem here.

11 MR. SIEROTY: Do you contemplate an assignment?

12 MR. NELSON: Oh, an assignment -- possibly a sale.

13 MR. CHAMPION: Any question? (No response) The
14 item will stand approved.

15 Item Number 3 is retention of consultants -- Oil
16 and gas operations, tide and submerged lands, Wilmington Oil
17 Field, Los Angeles County. Mr. Hortig?

18 MR. HORTIG: Mr. Chairman, for the record it would
19 probably be most complete and most expeditious if I read
20 verbatim the agenda item which is before you for consideration
21 and action.

22 On November 13, 1964, the Commission directed the
23 staff to determine the availability of consultants to assist
24 the Commission in the development and implementation of manage-
25 ment programs for tide and submerged land oil and gas opera-
26 tions at Long Beach.

1 Twelve interested organizations offering consultant
2 services in the exploration and development of oil and gas
3 reservoirs were supplied with the material necessary to deter-
4 mine the magnitude, type, and variety of services that are
5 required.

6 The material supplied included a general scope out-
7 line of the work to be performed, the Notice Inviting Bids for
8 Contractors' Agreement, Long Beach Unit, the Unit Documents,
9 the Contractors' Agreement, and copies of Chapters 29 and 138
10 of the Statutes of 1956 and 1964 extra sessions respectively.

11 Eight of the groups contacted have requested that
12 retention of their services under contract be considered.
13 Not all of the interested groups were found to have within
14 their organizations the personnel required to perform all of
15 the necessary duties, which would include personnel experienced
16 in engineering, geology, legal, auditing, and management con-
17 trol phases of the development of oil and gas reservoirs. It
18 appears that most of these qualified firms do not have rela-
19 tionships, obligations, or interests that would conflict with
20 the performance of the services in connection with these opera-
21 tions that are required by the Commission.

22 In order to perform the services required, it will
23 be necessary for the consulting firm to review and analyze the
24 development and economics of the production of oil and gas
25 from the unitized area in accordance with the provisions of
26 the documents and applicable statutes. This will also require

1 a thorough review of data developed through operations in the
2 currently productive portion and all available geologic informa-
3 tion covering the undeveloped portion of the Wilmington Oil
4 Field.

5 The Commissioners in their individual capacities have
6 had a conference with the representatives of the qualified pre-
7 senters of proposals for consulting services who do not have
8 any existent or potential conflict of interests in the form of
9 rendering exclusive consultant services on Long Beach tidelands
10 to the State Lands Commission.

11 Therefore, it is recommended that the Commission
12 designate from this group of proposals the organization to be
13 retained as consultants under a service contract in a general
14 form attached to this agenda item to assist the Commission by
15 recommendations relating to:

16 A. Evaluation of the bids received for the contrac-
17 tors' interests in the Long Beach Unit.

18 B. Approval of initial programs for the conduct of
19 development, production, and water-injection operations to
20 assure optimum operational development for the economic and
21 efficient recovery of oil and gas from the unitized area.

22 C. Evaluation of the scope of future services and
23 programs necessary for the optimum development of oil and gas
24 from the tide and submerged lands in the City of Long Beach.

25 It is also recommended that the Commission authorize
26 the Executive Officer to execute a standard agreement with the

1 designated consultants for the services to be rendered at an
2 amount not to exceed \$100,000; this standard agreement to be
3 in the general form attached to the agenda item and to be
4 negotiated for final approval subject to requisite approvals
5 by the Director of Finance and the Department of General Services.

6 MR. CHAMPION: By that do you mean Lands Commission
7 approval before approval is sought by the Director of Finance
8 and Department of General Services?

9 MR. HORTIG: It can so mean if this would be the
10 pleasure of the Commission.

11 MR. CHAMPION: As you put it verbally, it would. ~~is~~
12 is our time sequence? Are we getting involved with another
13 Lands Commission meeting?

14 MR. HORTIG: Yes, sir; and the next Lands Commission
15 meeting is now scheduled for December 22nd and the loss of
16 that much time before a reconsideration by the Commission --
17 unless it might be the pleasure of the Chair to accede to a
18 suggestion that a special meeting of the Lands Commission
19 could be held for such reapproval.

20 MR. CHAMPION: I would suggest this be in such terms
21 that you negotiate this -- subject, really, only to informal
22 conference by you with members of the Commission to make sure
23 it is satisfactory; that we, in fact, give you the authority
24 to negotiate the agreement and you can clear with us.

25 MR. HORTIG: The motion will so show.

26 MR. CHAMPION: What is the pleasure of the Commission?

1 MR. CRANSTON: Mr. Chairman, I'd like to say first
2 that I was very impressed with the capacity and qualifications
3 of the several firms who have expressed interest in this con-
4 tract. While it is necessary for us at this stage to select
5 one firm to seek to negotiate this contract with that firm, it
6 is anticipated that the burdens that are going to fall down on
7 us when we commence this operation are so great that there
8 will be other contracts probably desirable at that time, prob-
9 ably with more than one firm. So what I am simply saying is
10 that the selection of one firm at this time does not mean that
11 we will not possibly be working with others of the firms who
12 are here today or under similar circumstances in the future.
13 There will be future opportunities.

14 With that said, I move we adopt the resolution and
15 instruct the staff to proceed with the motion submitted to us
16 by the staff and the thoughts expressed by Hale, and insert
17 the name DeGolyer and McNaughton to go ahead with that work.

18 MR. CHAMPION: I would second that. Is there any
19 further question or comment on that matter?

20 MR. CRANSTON: I think Alan Sieroty might speak on
21 the matter without voting.

22 MR. SIEROTY: I concur in the recommendation and the
23 motion. I had the opportunity with Mr. Cranston to discuss
24 the proposals with the proposers and I think, as Mr. Cranston
25 stated, we were quite impressed with the quality and confidence
26 and the interest that was shown; and we appreciate all of the

1 time and effort that has gone into the proposals which you have
2 submitted to us and the attention you have given in trying to
3 be of help to us, and I would hope, as Mr. Cranston has sug-
4 gested, that at a future time we will be able to work with
5 additional consultants.

6 MR. CHAMPION: I would like to add the same general
7 expression. As all of you know, as we discussed it, we have
8 a monumental task ahead of us and it does not by any means end
9 with the re-evaluation of the bids and the determination of
10 the future operations of the State; and we are, in fact, about
11 to become just about the biggest oil operation in the State of
12 California, with a very limited staff.

13 Now, that staff is going to have to be expanded and
14 there is no question about that. At the same time, however,
15 many of the things that have to be done are highly specialized
16 operations that do not require long-term employment by the
17 State but can be handled on the basis of working with people
18 of special skills in the nature of consulting both on the
19 major course of the operation and on certain special aspects
20 of it.

21 I want to add my thanks to those of you who have
22 taken the time to consult with us on this problem.

23 If there is nothing further, the motion has been
24 moved and seconded and it is unanimously adopted, and that
25 will be the order of the Commission.

26 Is there anything further to come before the
Commission?

1 MR. HORTIG: Just the next meeting -- December 22nd.

2 MR. CHAMPION: Is another meeting necessary this
3 month?

4 MR. HORTIG: Yes, sir. There is a considerable
5 accumulation of actions that have to be considered by the
6 Commission, with deadlines running, that were scheduled with
7 an anticipated December 22nd meeting.

8 MR. CHAMPION: Is there any problem? (No response)
9 The meeting date, then, is confirmed for December 22nd.

10 Thank you again. Meeting stands adjourned.

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ADJOURNED 10:30 A.M.

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CERTIFICATE OF REPORTER

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I, LOUISE H. LILLICO, reporter for the Office of Administrative Procedure, hereby certify that the foregoing ten pages contain a full, true and accurate transcript of the shorthand notes taken by me in the meeting of the STATE LANDS COMMISSION held at Sacramento, California, on December 4, 1964.

Dated: Los Angeles, December 7, 1964.

Louise H. Lillico